

DISCLAIMER

This electronic version of an SCC order is for informational purposes only and is not an official document of the Commission. An official copy may be obtained from the [Clerk of the Commission, Document Control Center](#).

COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, January 15, 2003

APPLICATION OF

CASE NO. PUE-2002-00570

KENTUCKY UTILITIES COMPANY,
d/b/a OLD DOMINION POWER COMPANY

Application for authority to acquire interest in
four 152-megawatt combustion turbine generating units
pursuant to Chapter 4 of Title 56 of the Code of Virginia

ORDER GRANTING AUTHORITY

On October 23, 2002, Kentucky Utilities Company d/b/a Old Dominion Power Company (“KU/ODP,” “Applicant”) filed an application with the State Corporation Commission (“Commission”) under the Public Utilities Affiliates Act requesting authority to acquire at cost a sixty-three percent (63%) interest in four 152-megawatt combustion turbine generating units (“CTs”) to be constructed and located in Trimble County, Kentucky. The application requires that Commission approval be obtained under the provisions of Chapter 4 of Title 56 of the Code of Virginia.

LG&E Capital Corporation (“LCC”), an unregulated affiliate of KU/ODP, originally purchased the CTs from General Electric (“GE”) as part of a ten (10) unit package in 2000. Subsequent to Commission approval, construction on the four CTs will begin at Louisville Gas and Electric Company’s (“LG&E”) Trimble County Generating Station in Trimble County, Kentucky, and the CTs are expected to be in operation by the summer of 2004. The total budgeted construction cost for the project is \$227,392,000.

KU/ODP and LG&E (the “Utilities”) jointly plan and provide for their capacity needs through the development of Joint Integrated Resource Plans (“IRP”). Their 2002 IRP shows that the Utilities will require between 701 and 849 MW of additional peaking capacity by 2007 to meet their service territories’ growing demand while maintaining a target reserve margin of 14%. The Utilities assessed their capacity needs and alternatives through a Resource Assessment (“RA”) issued October, 2002.

The Utilities sought and received 27 bids for purchased power contracts from 15 different energy marketers. The Utilities state that they did not seek bids from multiple CT vendors because only GE manufactures CTs with a NOx emissions rate guarantee that meets Kentucky’s environmental standards without expensive modifications. The RA employed Monte Carlo simulation modeling and sensitivity analysis to compare the long-term costs of acquiring the four CTs against the costs of purchasing power from third party energy marketers. In every scenario, the Utilities found that the purchase of the four LCC CTs was the least cost alternative.

NOW THE COMMISSION, upon consideration of the application and representations of Applicant and having been advised by its Staff, is of the opinion and finds that the above-described transfer of interest in the CTs from LG&E Capital Corporation to KU/ODP at cost is in the public interest and should be approved.

Accordingly, IT IS ORDERED THAT:

- 1) Pursuant to § 56-77 of the Code of Virginia, KU/ODP is hereby granted approval for the transfer from LCC to KU/ODP of the sixty-three per cent (63%) interest in the four 152-megawatt combustion turbines to be constructed at LG&E’s Trimble County Generating Station in Trimble County, Kentucky, at cost.
- 2) The approval granted herein shall have no ratemaking implications.

- 3) The approval granted herein shall not preclude the Commission from exercising the provisions of §§ 56-78 and 56-80 of the Code of Virginia.
- 4) The Commission reserves the authority to examine the books and records of any affiliate in connection with the approval granted herein whether or not the Commission regulates such affiliate.
- 5) Within 30 days of the transfer, subject to extension by the Commission's Director of Public Utility Accounting, KU/ODP shall file a report with the Commission, such report to include all information filed with the Kentucky Public Service Commission including, but not limited to, information detailing the final determination of the cost of the turbines.
- 6) KU/ODP shall include the transfer approved herein in its Annual Report of Affiliate Transactions filed with the Commission's Director of Public Utility Accounting.
- 7) If Annual Informational and/or General Rate Case Filings are not based on a calendar year, then KU/ODP shall include the affiliate information contained in the Annual Report of Affiliate Transactions in such filings.
- 8) There appearing nothing further to be done in this matter, it hereby is dismissed.